



Creating a successful future

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This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

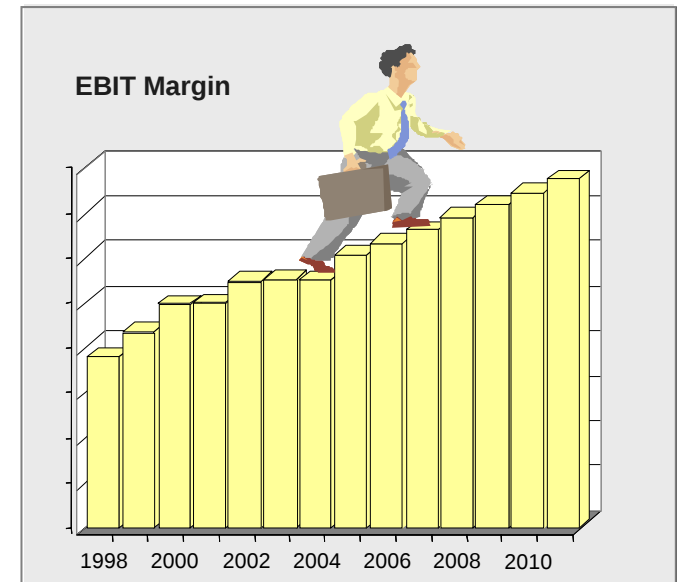
Agenda

- **Secure foundations**
 - **Financial & social**
 - Structural and cultural
- Exciting opportunities
- The right strategy
- Appropriate business models
- A successful future

The Nestlé Model

A secure foundation for value creation

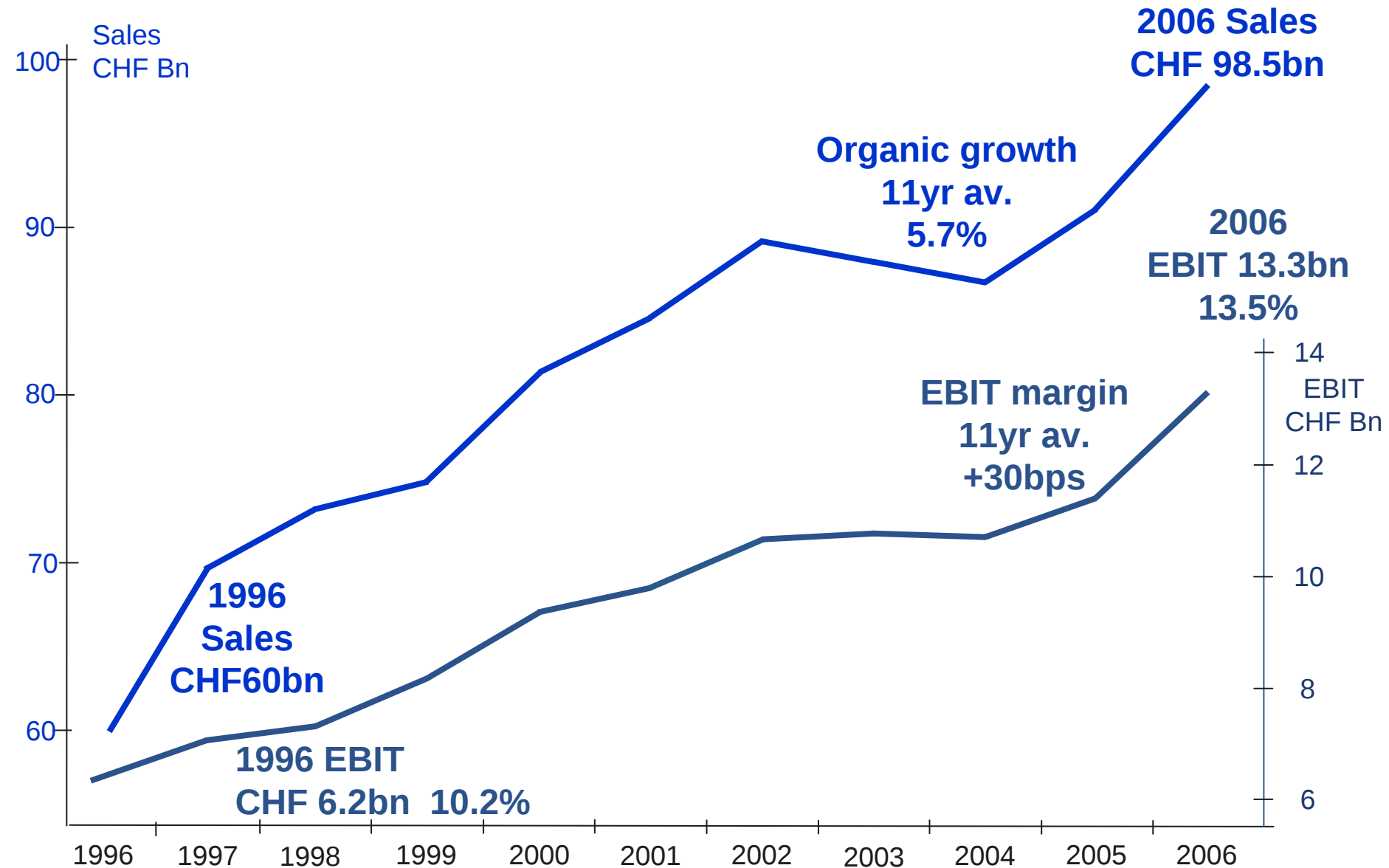
1. Sustainable **Organic Growth** of 5 - 6%
2. Continued year after year improvement in **EBIT margin**
3. Responsible **capital management**
(Working Capital / Business ROIC)



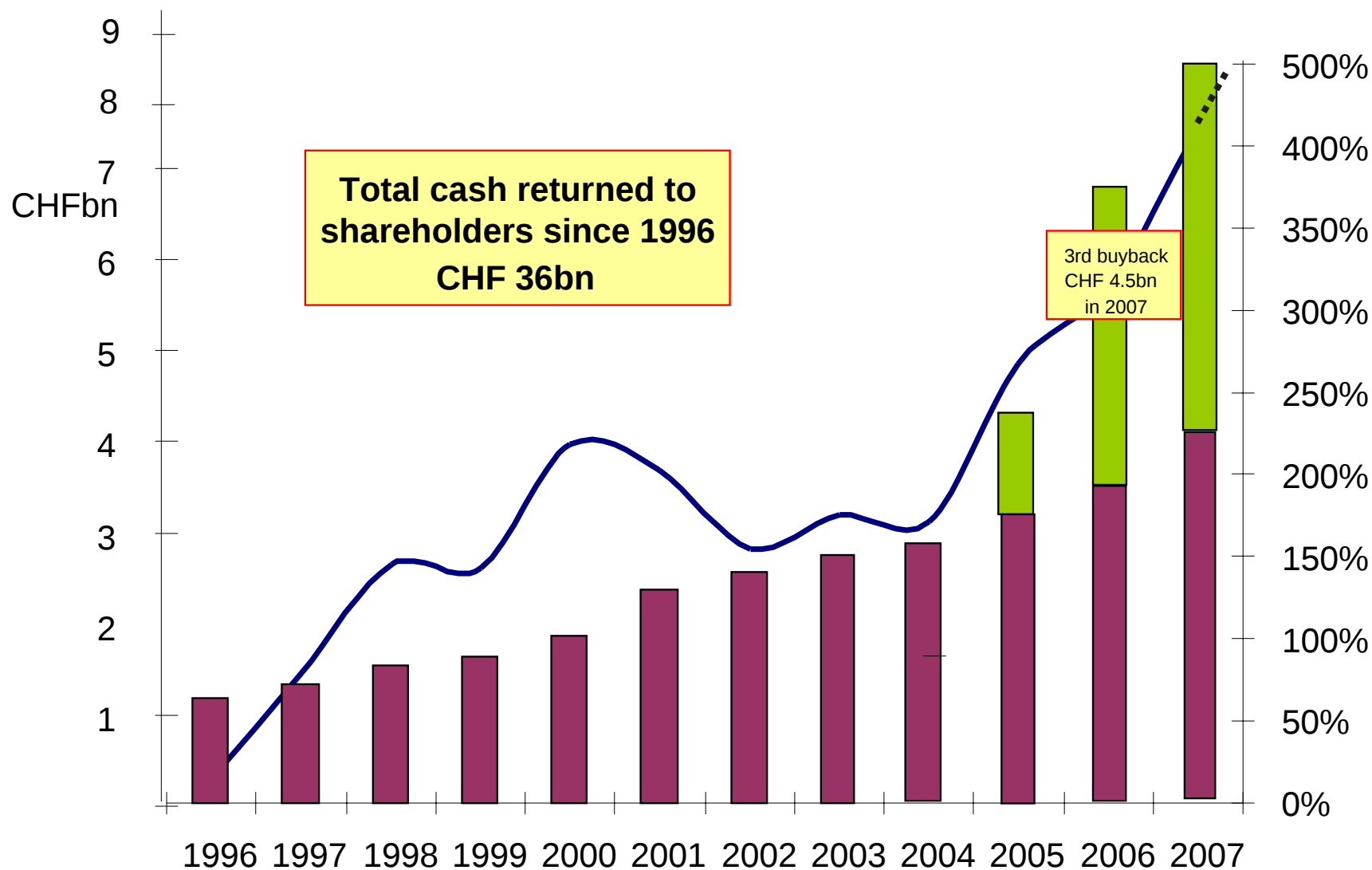
→ *focus on F&B, Health, Nutrition & Wellness*

To deliver an industry outperforming,
long-term total shareholder return

The Nestlé Model – driving organic growth & EBIT margin improvement

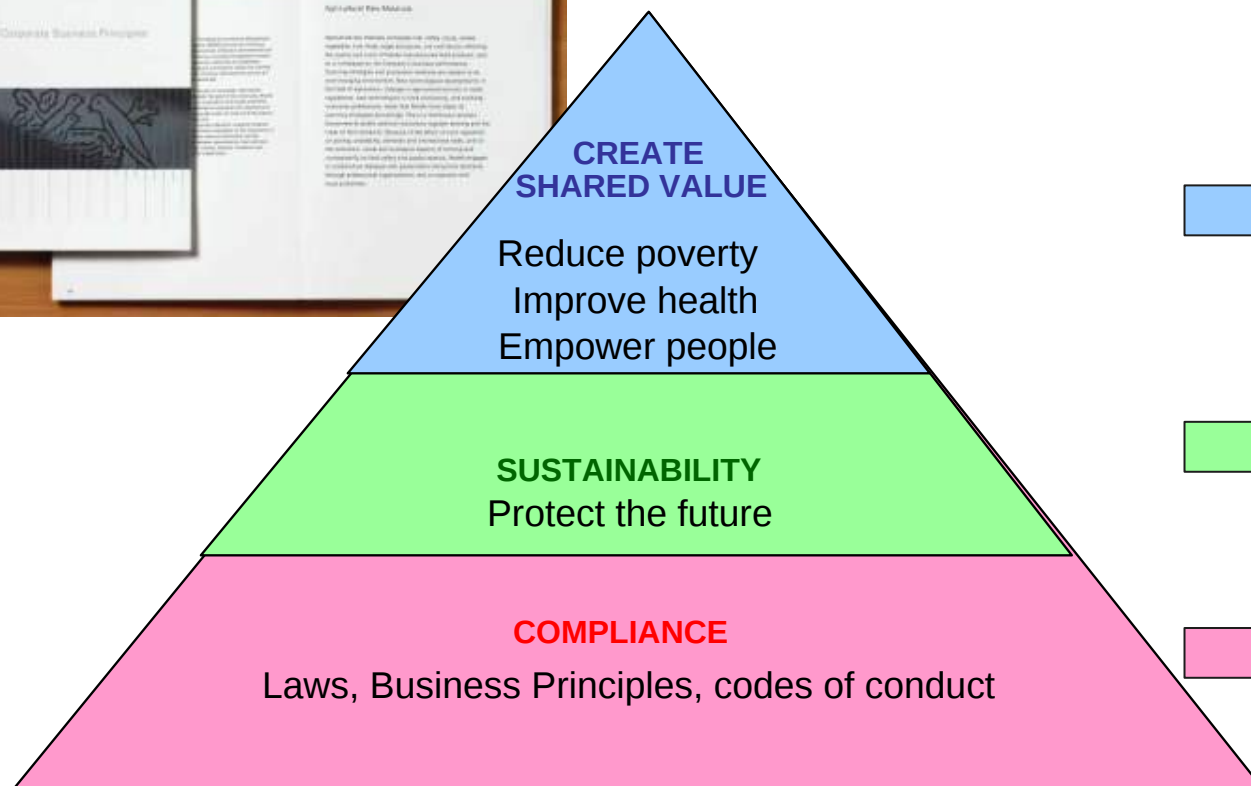


Delivering industry outperforming TSR, and significant cash returned to shareholders



■ Dividend (CHFbn) ■ Share buyback (CHFbn) — Cumulative Total Shareholder Return (%)

Creating Shared Value - Nestlé's responsibility to shareholders & society



- Long-term shareholder value creation
- TSR
- Sustainable profitable growth
- Corporate governance

CSR is built into Nestlé's strategy & enhances shareholder value

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Strategic

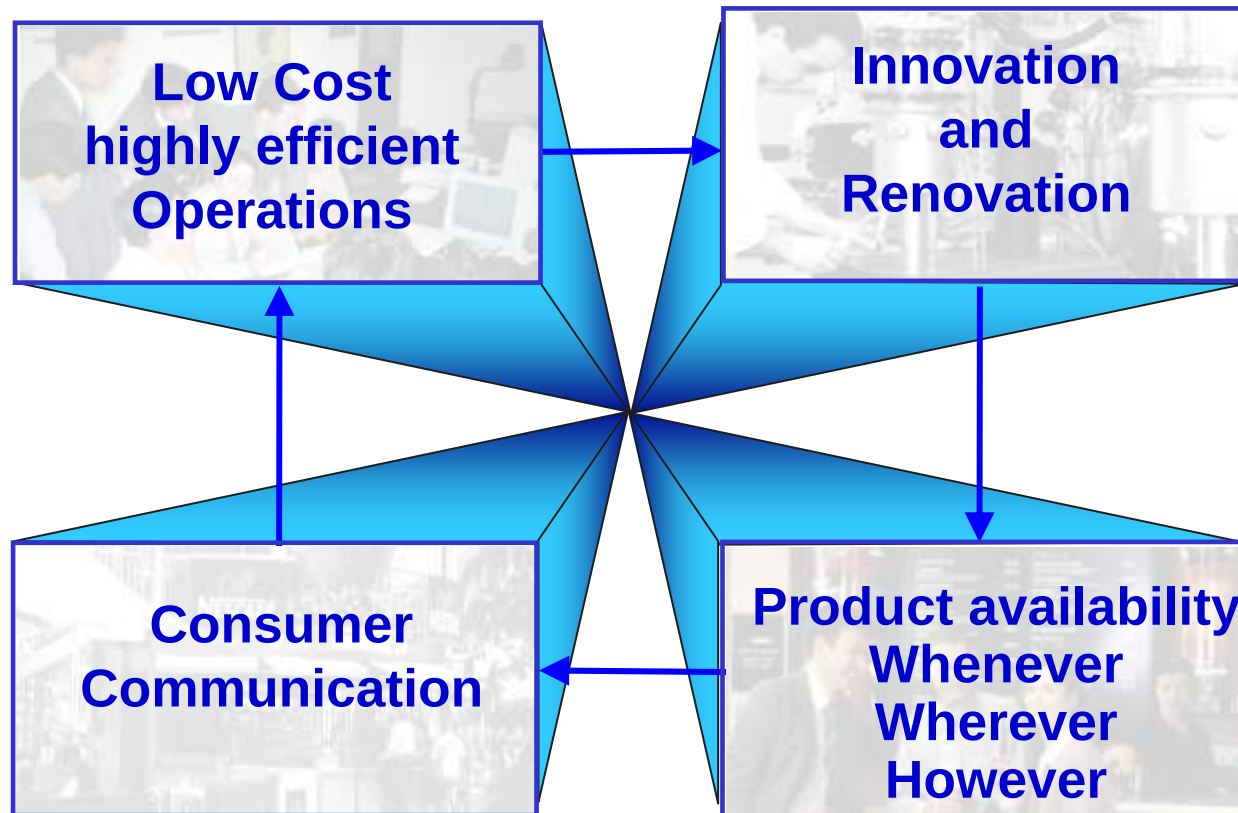
- From transforming commodities to added value food products
- From added value to Health, Nutrition & Wellness

Operational

- Creating an agile fleet of businesses/markets
- With increased focus on demand generation
- And an efficient support structure

Market teams focused on customers & consumers
Support teams focused on best service at best cost

...Supported by four pillars for sustainable competitiveness



... With an aligned performance focused, entrepreneurial culture

Our business needs drive our people development

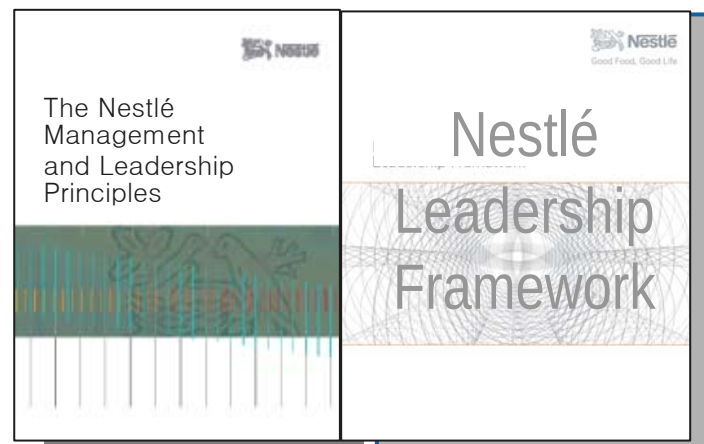
Performance

- Responsibility for performance down in the organisation
- Reward and recognition tied to performance



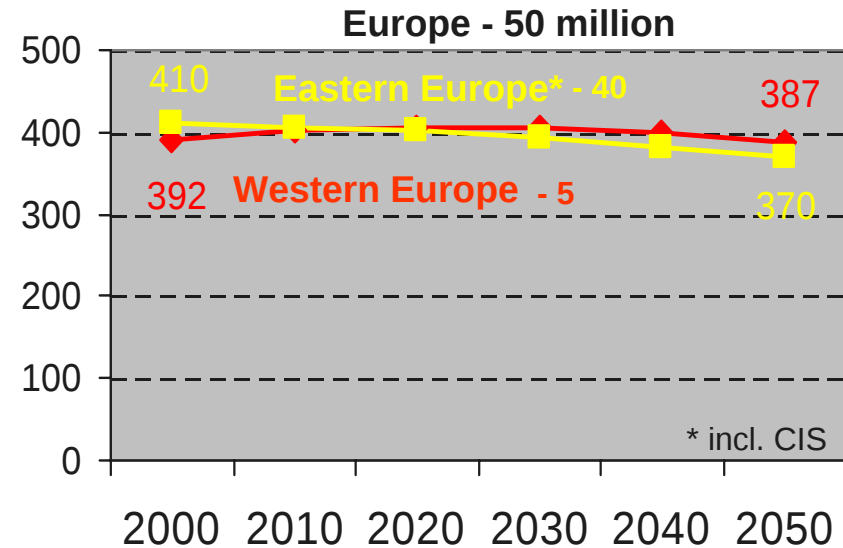
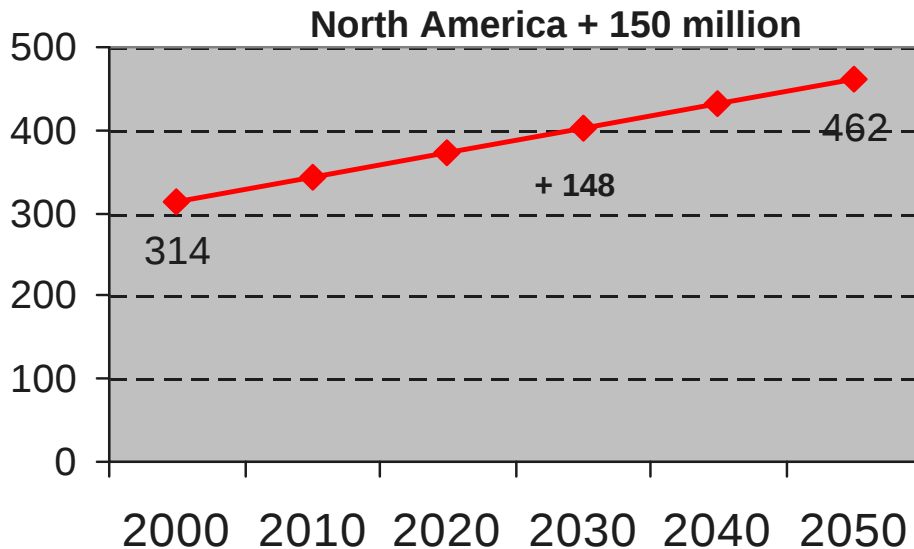
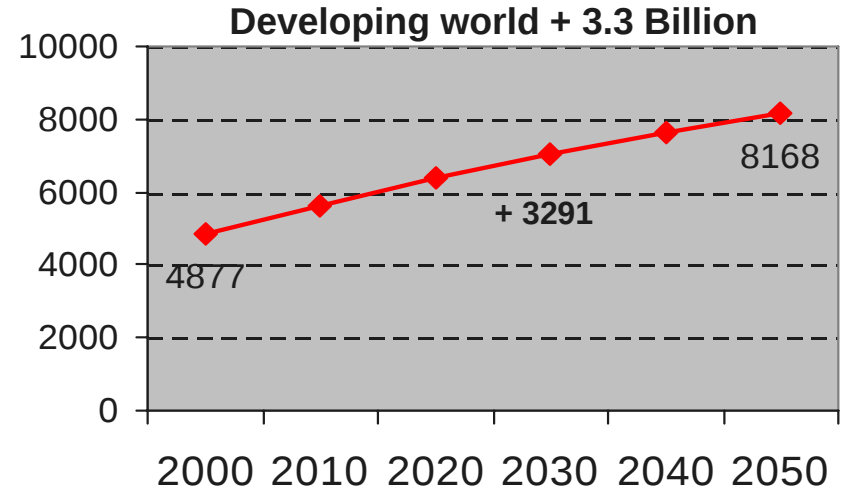
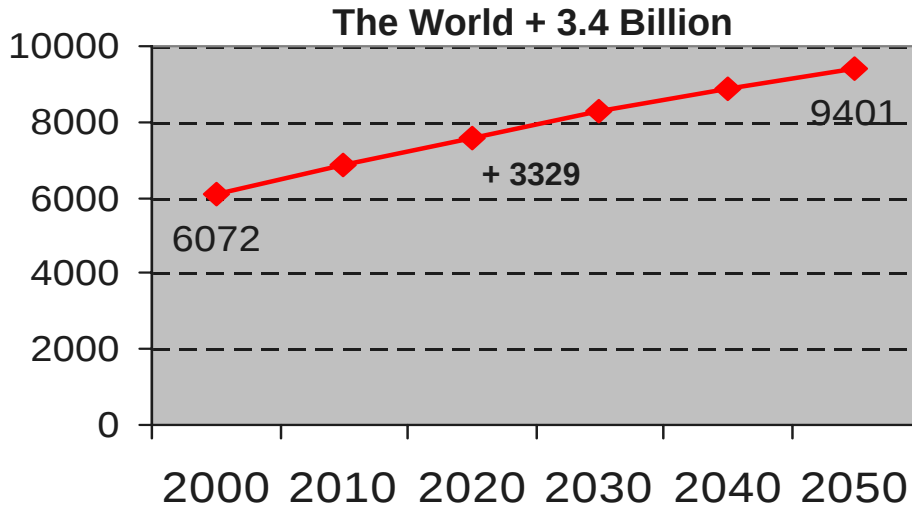
Culture

- Sustained high performance environment
- We maintain & evolve our culture based on our Principles



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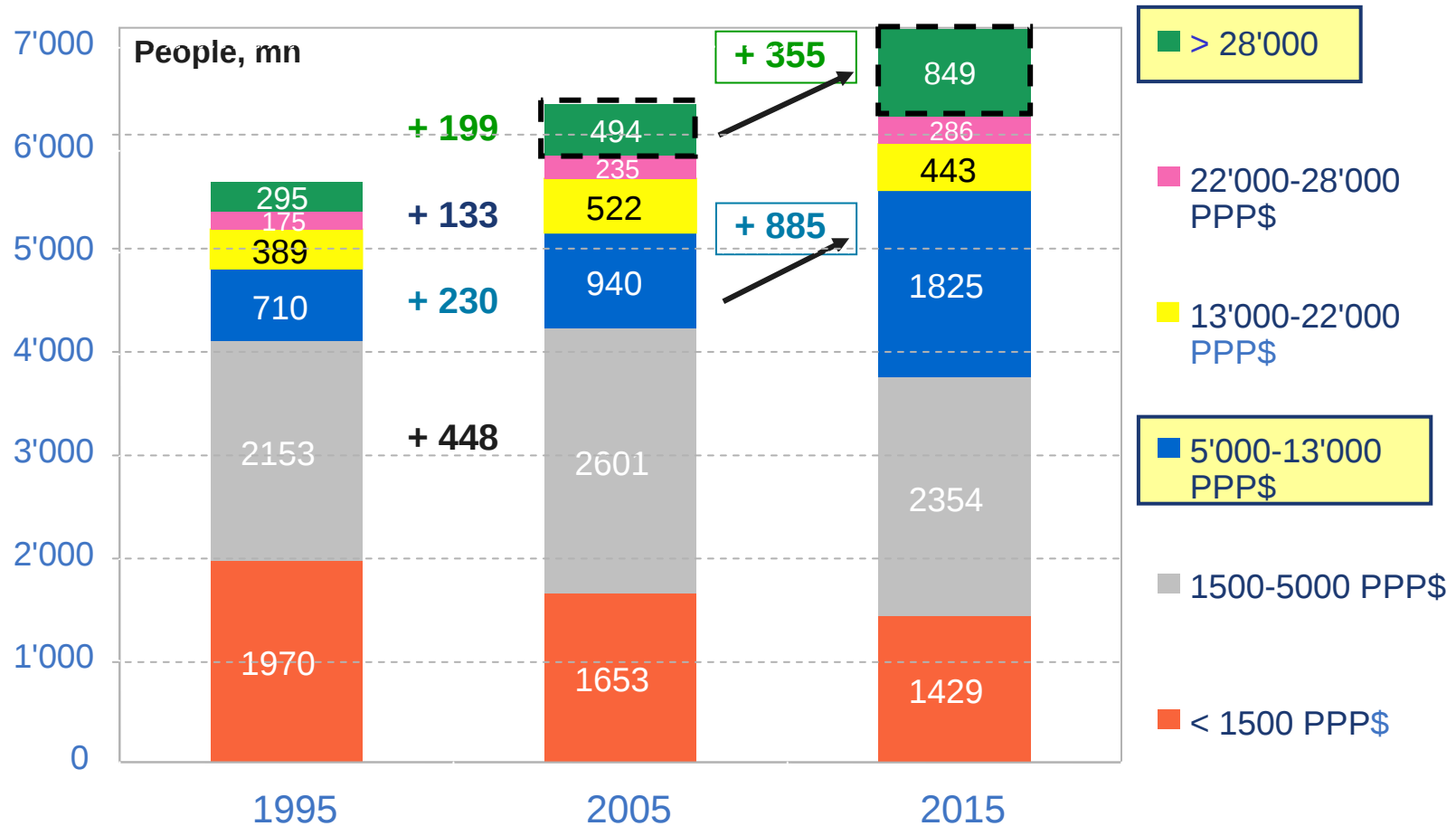
Population growth – over 3 billion more people between 2000-2050



In Millions

On the Up-Escalator

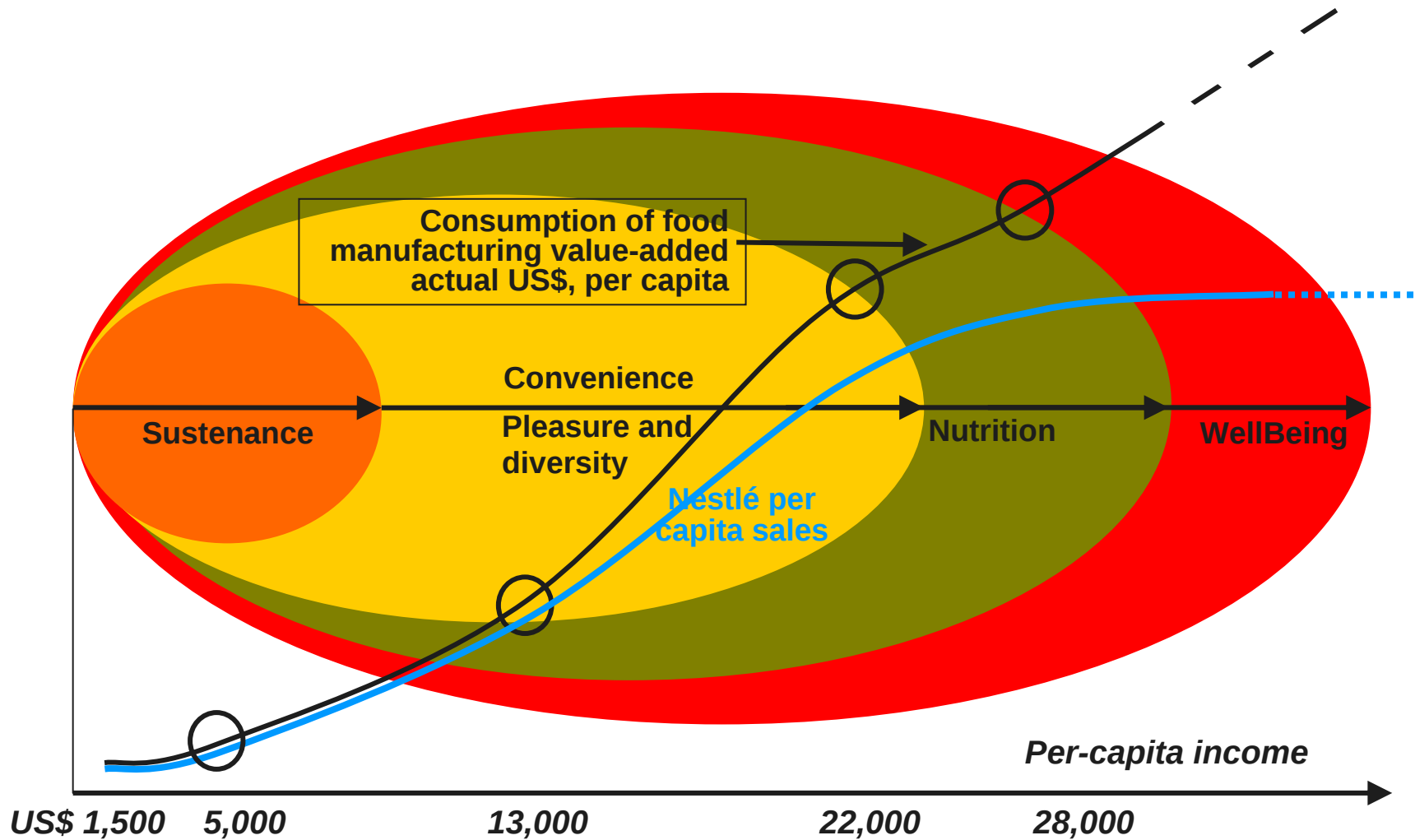
World population by income: 1995-2005-2015



Sources: UN WIDER and World Bank (also for outlook on economic growth 2005-2015); Nestlé

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A \$240 billion opportunity



Sources: UNIDO (value-added), WIDER and World Bank; Nestlé

A \$240 billion opportunity

PPP – Nutrition - Professionals

PPP = Popularly Positioned Products

"Premiumisation"

**Growth scenario
(2005-15)
+ US\$ 170bn
5.9% p.a.**



Creative Food & Beverage Solutions

Consumption of food
manufacturing value-added
actual US\$, per capita

Convenience

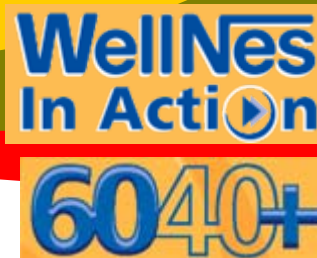
Pleasure and
diversity

Nutrition

WellBeing

**Growth scenario
(2005-15)
+ US\$ 70bn
6.9% p.a.**

Nestlé per
capita sales



PPP

Per-capita income

US\$ 1,500 5,000

13,000

22,000

28,000

Sources: UNIDO (value-added), WIDER and World Bank; Nestlé

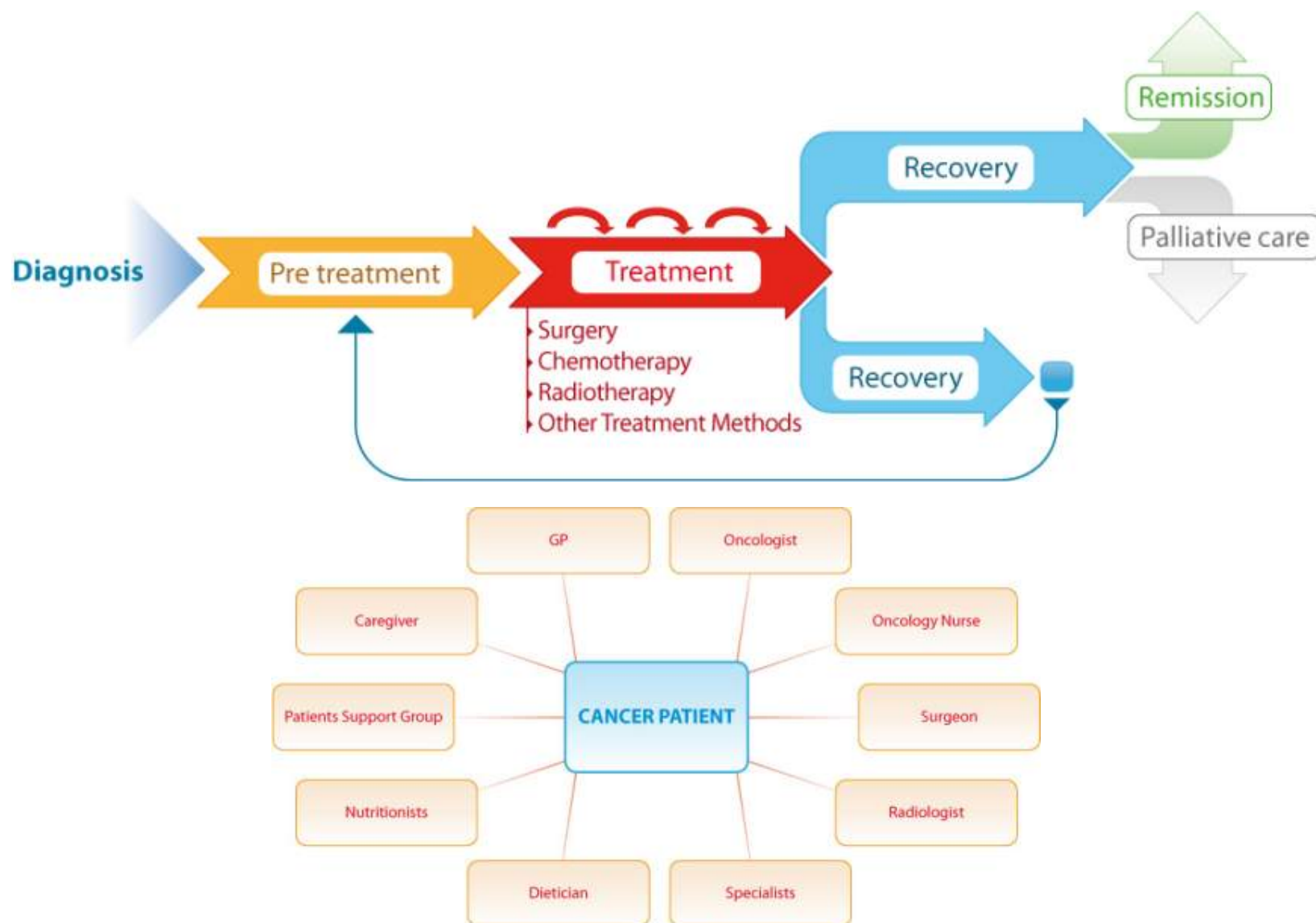
Nestlé Nutrition: The global leader in specialised nutrition

Enhancing the quality of life

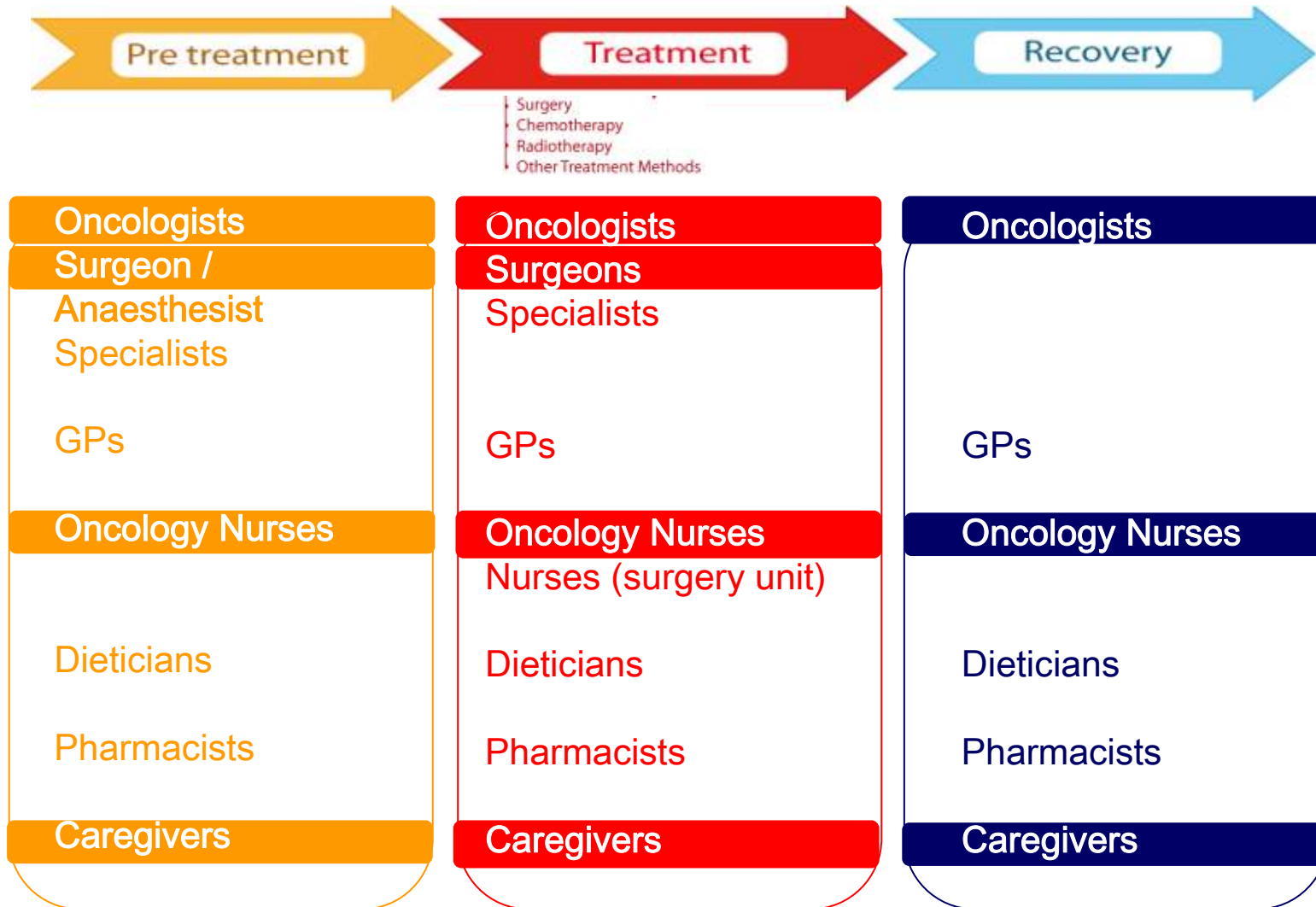


Approx.
CHF12bn
annualised
sales

The Patient Journey



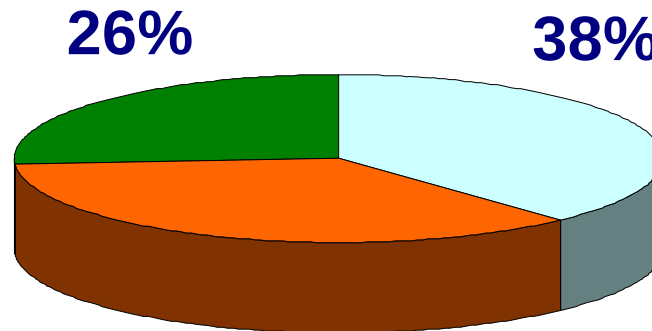
Key Influencers during the Patient Journey



Patients' segmentation based on attitude and belief

"Doctors Orders"

- Follow HCPs recommendations and do not go outside of medical advice
- Less likely to consider nutrition as important part of treatment



"Resignators"

- "I can not beat it because it is cancer"
- Believe that nutritional supplements do not have positive effect and use only product they consider to be medicine

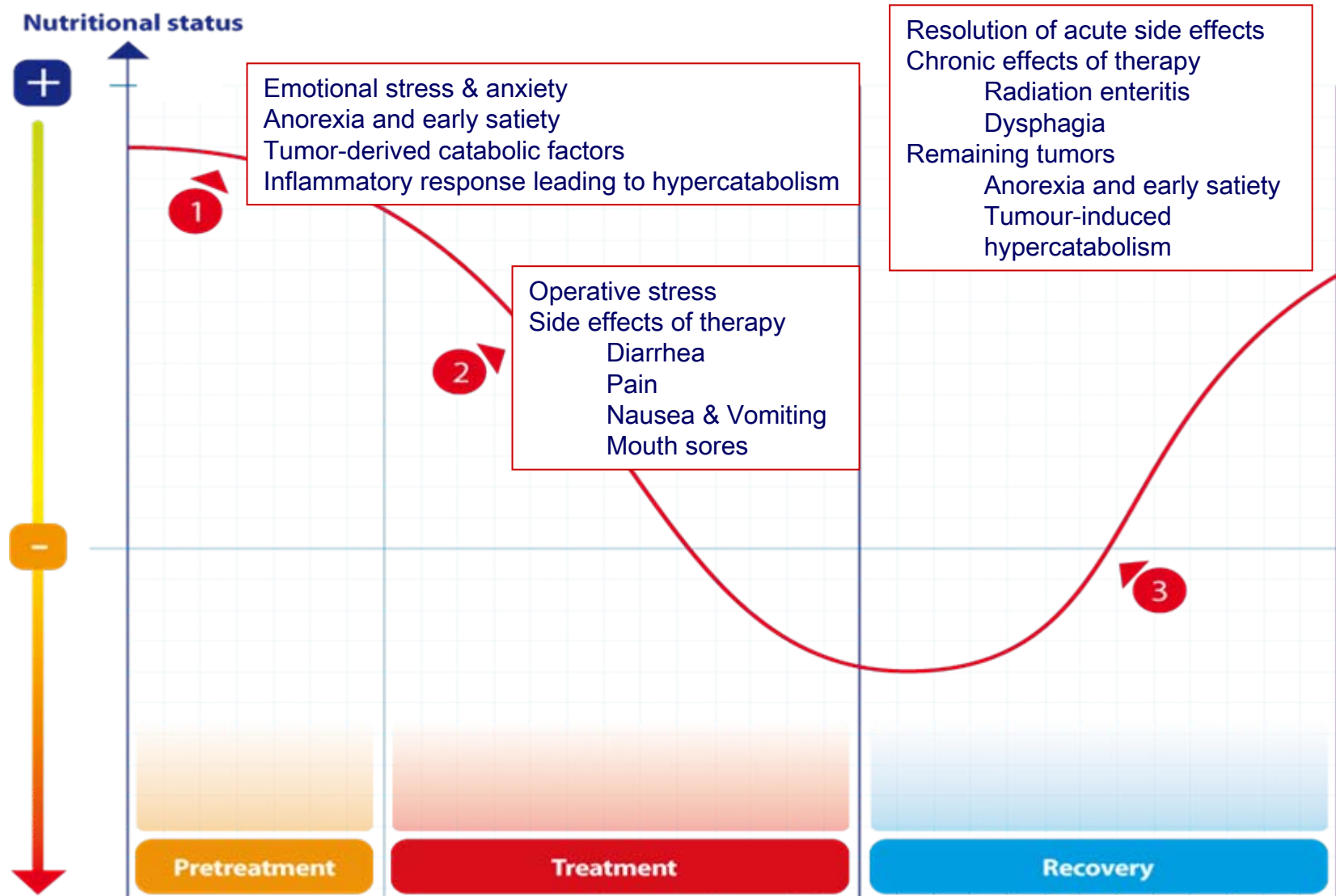
36%

"Fighters"

- Like to feel actively involved in their treatment
- Believe that nutrition is an important part of their treatment and might help their ability to fight cancer

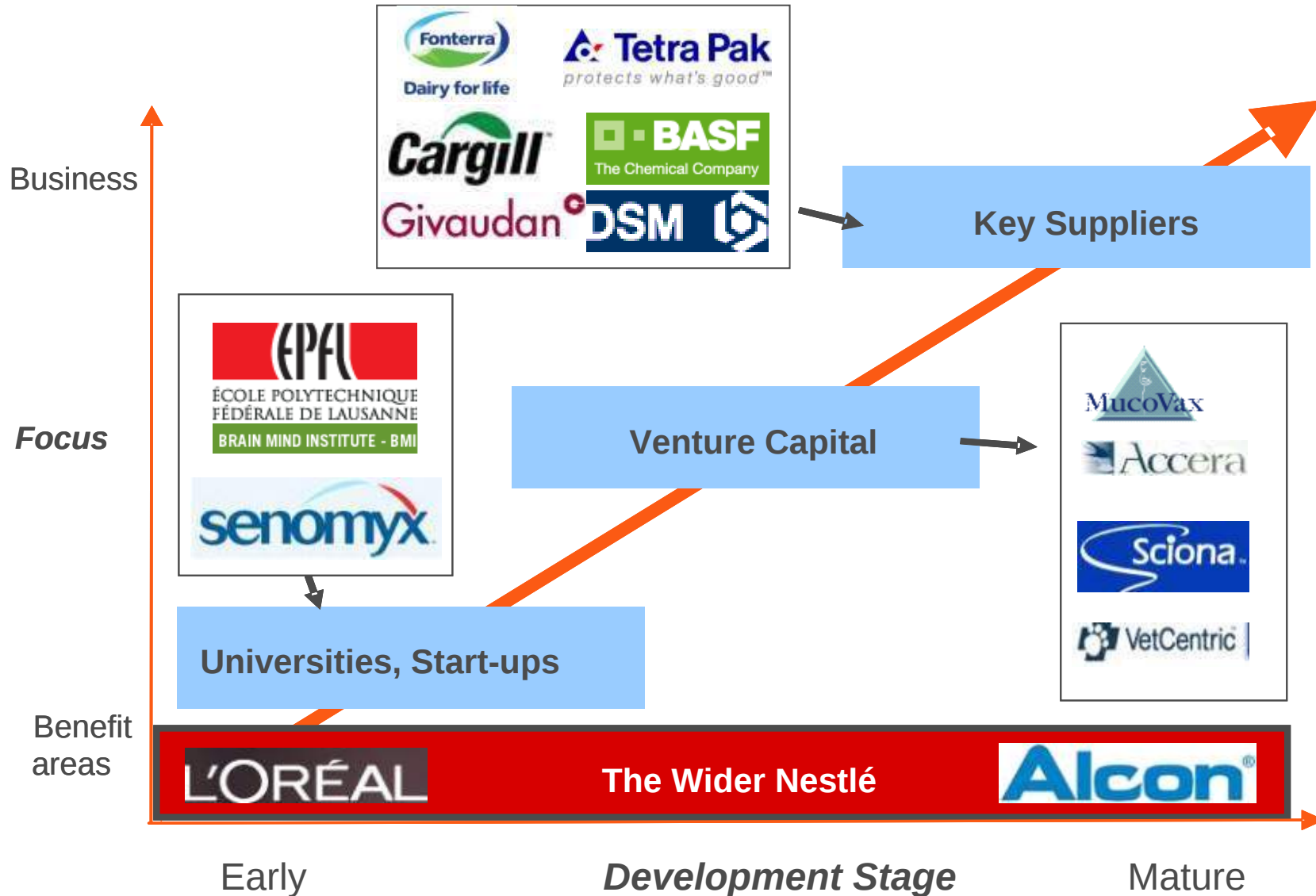
Source:
Quantitative market research
2006 (USA, Germany, Spain)

Deterioration of nutritional status starts early at pretreatment phase...

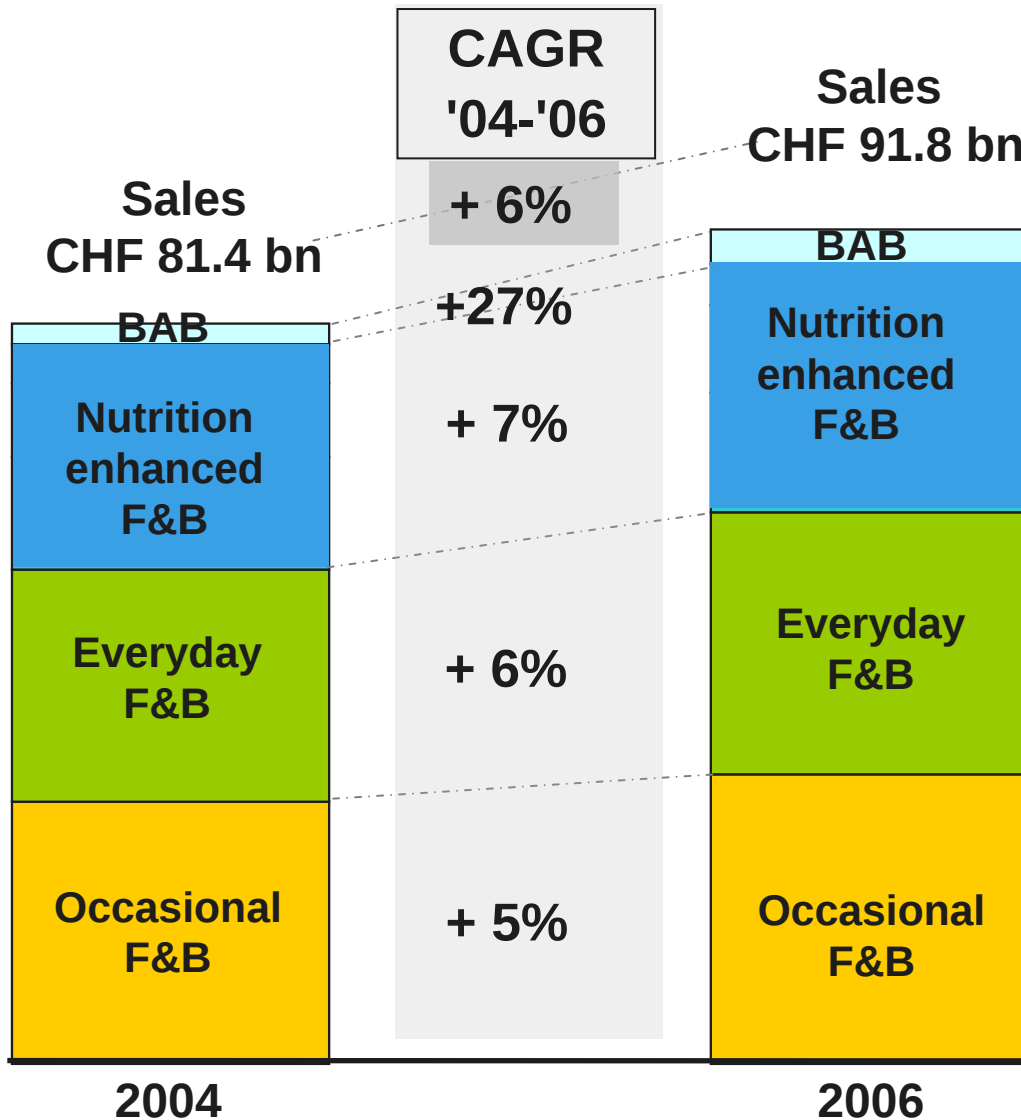


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Nestlé R&D: beyond P&L investment to open innovation & Corporate VC



Transforming portfolio towards healthier nutrition is driving growth...



Optimising Nutrition:

- **Adding/enhancing**

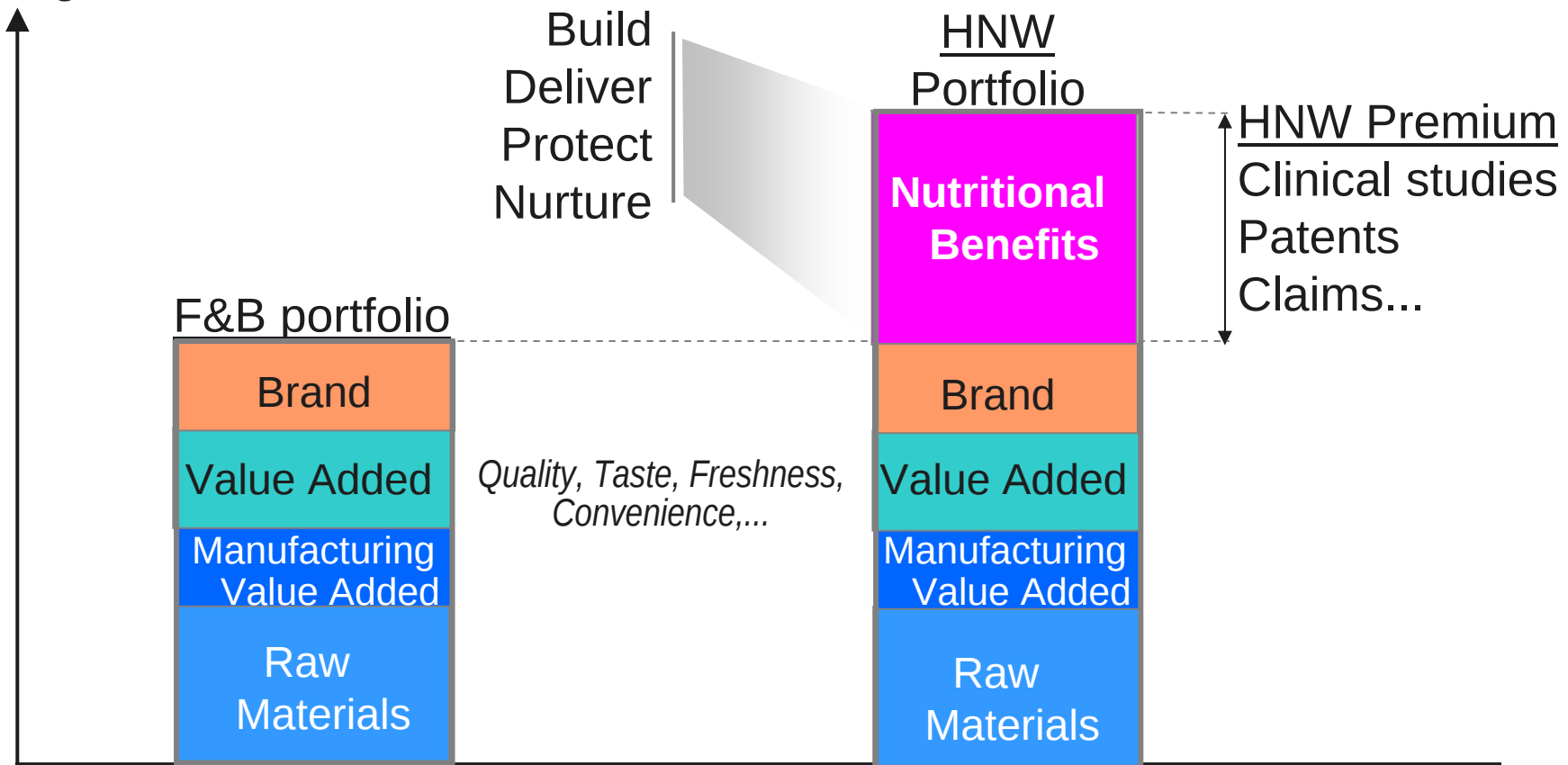
- '05-'07: Whole Grains: 700m additional servings in Europe
- Health benefits: BABs
- Micronutrients: vitamins, minerals, trace elements...

- **Reducing**

- '03-'06: TFAs: 34,000 metric tons removed
- '05-'06: Salt: 5,000 metric tons removed
- '03-'06: Sugar: 240,000 metric tons removed

...and enhancing premium pricing & EBIT margin potential

Consumer
Pricing



Each step – value-add, branding, nutritional benefit - creates greater differentiation from peers

Nestlé is uniquely positioned in nutrition, health and wellness



Nestlé is uniquely positioned

- to contribute to healthy lifestyles and balanced nutrition
- to transform from the respected and trustworthy food company that we are known as today
- to create the leading Nutrition, Health and Wellness Company, by size and performance

Winning the emerging consumer

Popularly Positioned Products



The PPP strategy

- Not “cheap” products or “commoditisation”
- Not price fighters, but business opportunities
- More than just affordable pack formats
- Products with nutritional content
- Innovative concepts with relevant products, pack sizes, price points, distribution & comms to target the “emerging consumer”





“The global leader in
branded hot and cold
non-carbonated Beverage
solutions”



“The local and regional
leader in strategic food
product solutions ”

Out of home (OOH) A Growing Trend

Estimated Global Sales



6.5



4.0



3.7



3.7



1.9

Total = 19.8

≅ 3% of OOH
Global
Manufacturer
Market

CHF 400 billion market

Due to shifts in demographics and socio-economic factors foodservice represents an increasingly important consumer option

Consumer demand for convenience, taste & nutrition is driving foodservice growth in all markets

In mature economies, OOH spend today accounts for 30-50% of consumer food & beverage purchases

The trend is for further long term growth in OOH consumption



Premiumisation

An opportunity for Nestlé

Premium / Super-Premium

Consumers willing to pay a relatively higher price for the product.

Luxury

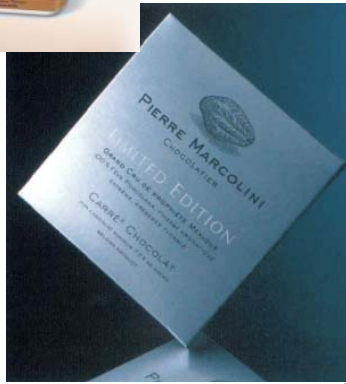
Consumers willing to pay a several times the average price for the product

2. Strong Emotional Affiliation



1. True Product Differentiation

MÖVENPICK
OF SWITZERLAND



3. Own retail outlets



Boutiques & Bars
Gift boxes



4. Own the Expert Client Community



Whenever, wherever, however All channels a source of growth



Nespresso Shops



Internet



Pharmacies



Baby Stores



Home Office Delivery



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“Complexity equals inefficiency” and
“Focus equals efficiency” But...



The solution is to create
a new paradigm
**“combining complexity with
operational efficiency”**

Business models designed according to each business's needs

From...

to

... An agile fleet of businesses



Independent businesses, each independently strong and flexible, following its own rules, with business-specific knowledgeable management and a specific structure so that it can be competitive and successful.

- Specific business models for increased competitiveness
- Dynamic, entrepreneurial market teams
- Linked R&D and open innovation
- Leveraging Group scale – manufacturing & services – the efficient support structure
- Increased transparency to drive flawless execution
- Enabled by GLOBE



Fast, nimble Market teams able to focus on demand generation – profitable growth

Increasing our demand generating capabilities

- A "close to consumer" organisation
- Leveraging strong brands & positions
27 Billionaire brands
- Innovation: bigger, bolder, better
- Renovation: 60/40+; time-pacing
- Increasingly enhanced by "service" element



60/40+

A "growth" mindset, enhanced by
excellence in execution



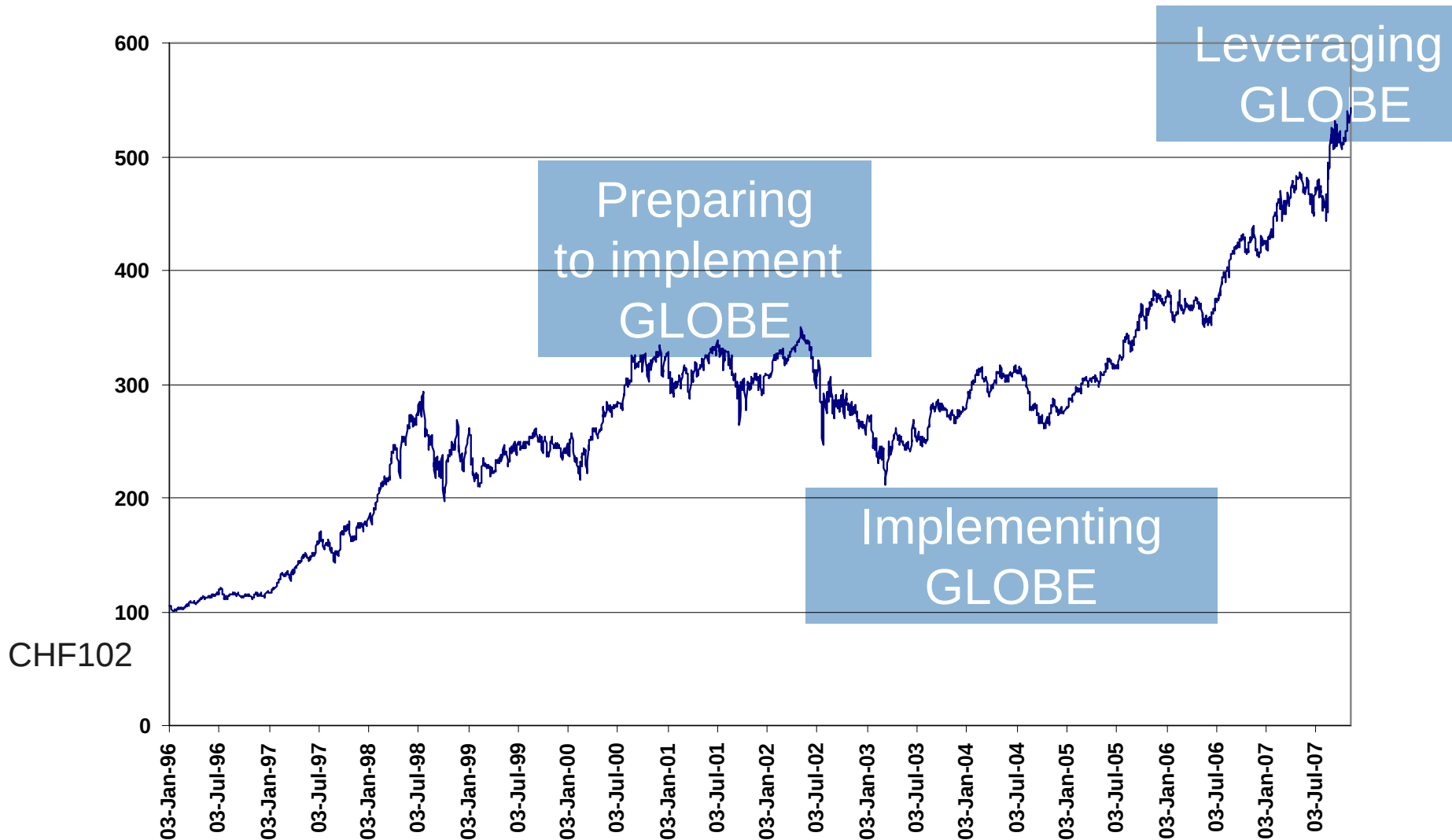
1 Leverage business benefits through Business Excellence Best Practices
- *Continuous improvement*



2 Leverage Decision Support as a competitive advantage
- *Flat, networked organisation*

3 Leverage Organisational Transformation to manage complexity with efficiency
- *Multi-focus approach with efficient support structure*

Share price and GLOBE timetable



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➤ Values and principles



➤ Nutrition, health and wellness –value-add



➤ Popularly positioned products – the lower end



➤ Premiumisation & FoodService – the higher end



➤ Consumer-centric R&D & open innovation – differentiation

➤ Organisational flexibility and efficiency – demand generation

The Nestlé Model – another 10 years

Driven by Food & Beverage

Nutrition, Health & Wellness

Unique Organisation Structure

5-6% organic growth +
Annual improvement in EBIT margin +
Improved capital management / ROIC

Sustainable Business Model –
achievable over at least the next ten years



The course of
the company
has been set

Now our people
must see the
journey through

Nestlé: Enhancing the quality of life through Nutrition everywhere



Good Food, Good Life